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STRATEGIES FOR COMMUNITY ECONOMIC DEVELOPMENT THROUGH NATURAL RESOURCE USE IN NORTHERN NEW YORK

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PREFACE

The purpose of this project has been to begin to provide an alternative framework for assessing the economic potential of small to medium scale agricultural and natural resource-related endeavors for improving the economic climate in Northern New York and, specifically, to present Northern New York residents and development professionals with examples of innovative solutions to the problem of stimulating economic progress in isolated rural regions. To this end we have identified, reviewed, and analyzed, within the limits of available materials, initiatives in resource-based community economic development recently introduced in rural America, Canada, and Great Britain. Initiatives were identified through the use of a variety of publications including Small is Possible by George McRobie, People Power published by the U.S. Office of Consumer Affairs, Community Profit by Susan Wisner and David Pell, key organizations listed by the Conference on Alternative State and Local Policies, and by word of mouth, advertisement, and personal contacts. Initiatives were included in the survey if they exhibited one or more of the following:

- Innovative technologies, such as small scale wool processing machines, technologies for extending the growing season in cool climates, new storage procedures for resource products, etc.

- Social technologies, such as innovative marketing arrangements, collective processes, producer and/or consumer cooperatives, barter programs, etc.

- Enterprise development based on raw materials similar to those available in Northern New York.

- Innovative land use/tenure relationships such as land trusts, land banks, use of public lands, to support resource-based activities.

- Innovative financing, such as revolving loan funds, public/private partnerships, etc. to provide equity for resource-based enterprises in rural areas.

Over 100 initiatives were identified and reviewed in varying degrees of depth. Review included reading printed materials by and about initiatives, telephone follow-up with participants and/or sponsors, and field trips to some selected projects. Initiatives were not systematically or rigorously evaluated by standard criteria so, while the particular initiatives mentioned in this report are believed to be illustrative of many other such similar initiatives, they do not necessarily represent the most successful or the best of their kind. The authors bear responsibility for any inaccuracies in project descriptions contained in this report.

We hope our discussion of these initiatives will serve two purposes; first, to prompt others, particularly development practitioners in Northern New York, to consider the potential benefits to their region which might result from adapting projects and concepts tried and tested in rural communities elsewhere which face conditions of isolation, economic dependence, and underemployment similar to their own. Secondly, we hope the overview of initiatives presented here will stimulate in-depth investigations of alternative practices in rural development by academic and extension professionals at Cornell University.

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*Many of the initiatives reviewed are new enough so that rigorous evaluation of their impact(s) would be premature.

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1.0 INTRODUCTION

Traditional approaches to economic development as practiced by many industrial development authorities, state governments, counties, and towns, have stressed the need to import industry and expertise into rural areas to ensure economic progress. The effects of so-called "industrial attraction" policies have now been well studied. While under the right set of circumstances such policies may succeed in vitalizing a local economy, many times the effort and expense that goes into them is entirely unrewarded. Empty industrial parks are not uncommon in rural areas. One analyst estimates there are 11 groups trying to attract new industry for every major industry relocation annually. Even if successful, such policies may end up being quite costly in relation to the benefits gained for the local community. In his paper "How New Industry Will Affect Your Community", Professor Eldon Smith of the University of Kentucky reports that:

1) In general, it is unrealistic to expect that the total number of jobs created in a community that will be filled by local people will greatly exceed the total number of direct jobs in the plant....

2) As a quick solution to problems of poverty, industrial development is an illusion... Relatively few people move above the poverty level as a direct or immediate result of new industry.

3) While the tax base may be increased, this is not likely to be enough to offset additional public service costs if industrial property is exempt.

4) More industry, especially industry owned by large companies with their headquarters elsewhere, may mean that local people will have less control over their own local affairs...

5) The social structure will be changed and some problems in coping with the more impersonal, less family and neighborhood lifestyle will result.

Another impact of industrial arrival is likely to be increased dependence on wage and salaried employment and a concomitant increase in the local cost of living. Such an increase actually has a detrimental impact on local residents who do not share in the new, limited employment opportunities, hurting especially those who live on limited or fixed incomes.

In addition to the often questionable direct economic and social impacts of industrial attraction policies, there can be other unfortunate side affects as well. If development practitioners and community members in many communities within a region become convinced that their future well-being depends on attracting new industry, incentive to cooperate may be undermined as communities compete with one another for the industrial "prize" in their efforts to attract new industry. Because industrial attraction is often perceived as a zero sum game, competitiveness between communities can lead to foregone opportunities for productive cooperation, problem-solving, and combining of resources and can create an antagonistic atmosphere among communities in the region. Equally important, if not more so, a single-minded focus on attracting external economic stimuli tends to preclude programs of support for existing local industry and

local entrepreneurial talent, especially in rural communities with limited public resources.

Given these drawbacks to the industrial attraction approach as applied to rural areas, we have chosen to explore an alternative approach to economic development that is compatible with existing rural resources, both physical (natural) and human. This approach is based on principles of community economic development and emphasizes improved natural resource utilization as a basis for economic development in rural communities.

1.1 Principles of Community Economic Development

We consider the following five elements central to the community economic development approach this paper seeks to illustrate. The first element is a commitment to working with the full range of human and natural resources already available (but underutilized) within a region, looking to outside resources only to supplement and support locally controlled development. This promotes the formulation of community goals and proper valuation of local human and natural resources consistent with achieving community defined goals. The second element is concern for the long term stability of the local economy and is often expressed by promoting local ownership and/or worker ownership of local businesses and other local assets.

The third element governs criteria applied to the creation of jobs. In a community development framework, these criteria include not simply how many jobs are created, but what kinds of jobs are created, who will get those jobs, the nature of the skills these jobs will impart to employees, the transferability of these skills to future opportunities and the tradeoffs required between job holding and other productive aspects of a rural lifestyle.

Concern for the environmental consequences of economic growth constitutes the fourth element common to project initiatives identified in this report. Concern not only with the physical environment and issues such as sustainability and stewardship of resources for future generations, but also concern with the social environment and the need to preserve elements of community and quality of life that are often threatened by traditional industrial development strategies.

Lastly, community economic development calls for the participation of community members and respect for traditional values of self-sufficiency, neighborliness, and appreciation of the natural world.

1.2 The Role of Natural Resources in Rural Development

Why, in trying to identify alternative mechanisms for economic development in Northern New York have we concentrated on natural resource-based activities? Why not high tech? or tourism? To begin with, the relative abundance of natural resources is what makes rural areas rural. Many of the people who choose to live in rural areas are skilled in one or more resource-based activities. This skill base exists and should not be ignored in the development of new initiatives. By capturing and, in some instances, recapturing the value of those resources, rural communities can improve their economic position. Such improvement depends on a combination of import substitution, technological innovation, and export development illustrated by the projects described in the body of this report.

Economic analysis shows that natural resource-based activities including food processing, forestry and wood products, have consistently higher income and employment multipliers associated with their development than do the majority of other economic activities (with the possible exception of "heavy" industry where multipliers are sometimes even higher). This means that for every job created in a resource-based activity, the number of additional jobs created to support that worker and the amount of additional income available to people other than the resource-based employee is greatest when development occurs in natural resource-based industries. Multipliers are highest when the inputs to the industry, including raw materials and labor used by the industry, are also locally provided. Also, economies are strengthened when the storage, processing, packaging, and marketing functions associated with local resource use are locally available. The extent of interlinkage between these various aspects of resource-based production reflects the extent of articulation in the local or regional economy. The greater the extent of articulation, the stronger, more diversified and more resilient the economy will be.

Supporting an economy that maximizes returns to locally available natural resources makes good economic sense. This is especially true in an area like Northern New York with a generous usable resource endowment. Improved opportunities for control and coordination of natural resource use can be beneficial in another way as well. Resources that are properly managed, whether agricultural, forest, or wildlife, actually increase in value over time. By supporting sustainable use practices, a community can actually increase its resource capital over time.

With all of its natural resources, doesn't Northern New York already have a strong resource-based economy? Yes and no. Take forestry for example. The six counties of Northern New York (Lewis, Jefferson, Franklin, St. Lawrence, Clinton, and Essex) contain 27 percent of all primary wood processing businesses in New York State. This is slightly greater than the proportion of land area (20.6 percent) in the region. However, the same six counties contain only 3.9 percent of the State's secondary wood processors. Since much of the value added to wood products occurs in the secondary processing stage, the region is not getting anywhere close to the maximum economic return from its forest resources.

What about farming? Farming in Northern New York is dominated by dairy farms. St. Lawrence and Jefferson Counties have the largest cow inventories in the State. Yet, only in Lewis County is the percentage of income from farming at a high level compared with other income sources, and even here it is only 10 percent. The past decade has seen an increase in farmers and their wives who hold wage and salaried jobs off the farm, as well as a decline in the percentage of land in farms in each of the six counties consistent with national trends. Furthermore, there has been a pattern of decline in the number of agricultural service establishments with fewer than 20 employees in four of the six counties despite an increase of one percent in the State as a whole.[1] The dependence on dairy in a period when many experts feel the industry will be faced with major structural changes does not bode well for the formal agricultural economy of Northern New York.

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[1] There are no large agricultural service deliverers in these counties.

In addition, much of the value-added processing that occurs in the region, whether in the form of cheese manufacturing, pulp and paper mills, or mines, takes place in facilities which are owned and controlled by companies with headquarters outside the region. These tend to be large scale facilities, with the potential to create significant economic dislocations if closed.

There is, however, another aspect to natural resource utilization besides its place in the formal economy. In her 1982 Master's Thesis, Ratner studied patterns of informal resource utilization among a random sample of 60 households in Crown Point, New York in Essex County. Ratner found 51 of the 60 households surveyed to be active users of natural resources. The most popular activities in which households engaged were vegetable gardening, fishing, firewood harvesting, and raising hogs. The diversity of activities was significant with over 30 separate activities identified. The economic value of these activities to households was also significant. Based on sample values, the value to the whole community of household resource production for home consumption and local markets came to $910,780 making this the third most important source of income or income equivalence for the community after wages and social security transfer payments.

The emphasis in this study is on small-scale enterprises, enterprises which will fill the gap between the household level informal activities and the large commercial resource-based activities. We believe that sophisticated support for and coordination of small-scale activities can result in improved articulation of the local resource-based economy and a real increase in economic opportunity for area residents.

1.3 The Development Process as a Learning Curve

Our analysis of a variety of natural resource-based community economic development initiatives revealed three interrelated pragmatic approaches which we refer to as the Basic Needs Approach, the Small Business Development Approach, and the Sectoral Intervention Approach. These three approaches are actually stages in a learning curve experienced by many organizations that have been involved with rural development in industrialized countries over the past decade or more. We believe they provide a useful pathway to organizations who are just beginning to consider their role in rural development since experience gained through one approach contributes greatly to the chances for success in succeeding and increasingly complex approaches. These three approaches are not mutually exclusive, indeed many projects or initiatives embody aspects of more than one approach, yet they do provide a framework that is useful in defining specific options and opportunities and in understanding their requirements for success. The next three sections of this report will describe each approach separately and then illustrate each with a variety of specific initiatives.

2.0 THE BASIC NEEDS APPROACH

The Basic Needs (BN) approach can be viewed as the logical entry point to resource-based community economic development. It is based primarily on the economic principle of import substitution and is often directed especially toward meeting basic needs of the economically disadvantaged members of a community. Basic needs may include food, shelter, energy, transportation, etc. The thrust of the BN approach is to find ways to access locally available

resources to meet local needs. Cities such as Minneapolis, Minnesota and Sudbury, Ontario have turned their attention to developing their "homegrown" economy in a modified a BN approach. In rural areas, BN initiatives may include activities such as community gardens, community pastures, community woodlots, community land trusts, community canning facilities, etc. The goals of the basic needs approach are complex. Projects seek not simply to maximize profit but rather to maximize use and control of all manner of local resources in the interests of the community.

Are basic needs really a problem in Northern New York? If people are so involved in natural resource use on their own, why should we be looking at these sorts of initiatives? To begin with, in 1980, 16.2 percent of all families in the six Northern New York counties were living below the poverty level. With a regional 1980 population of 389,295 people, this means there are a lot of people in the region who are cash poor. Census data shows the average per capita income for the region in 1980 was only $6,747 compared with $10,252 for the State as a whole. Also, the region's dependence on government transfer payments has been steadily increasing over time. Transfer payments as a percentage of personal income rose from a regional average of 14.6 percent in 1970 to 21.3 percent in 1980. This means that the region is increasingly dependent on cash flows controlled outside its own boundaries and subject to change through the political process.

How does natural resource use fit into this pattern of limited incomes? In her Crown Point study, Ratner found significant differences between the resource use patterns of low-income and non-low-income households. Low-income (nonfarm) households were significantly less likely to produce their own forest or animal products. These activities, all relatively land extensive, are virtually closed to 60 percent of low-income, nonfarm households since they own less than two acres of land on average. Ratner hypothesizes that this difference in access to productive resources is partially responsible for the difference in the value of household production between low-income and non-low-income households. On average, non-low income households generate or save an average of $1,793 gross dollars a year while the savings of low-income households come to only $677 gross dollars a year. Under certain circumstances it is possible that improved access to productive resources would result in greater benefits to low-income households and to the community as a whole. Ratner also found that a number of retired households and others on fixed incomes definitely depend on resource use to meet their basic food needs. However, health and age were cited as significant constraints affecting resource use by 10 percent of those surveyed. Capital to underwrite the costs of these activities was a constraint cited by 14 percent of the sample. Programs to promote cooperative use of private and/or public resources can alleviate these constraints and broaden the range of resource use options available to limited resource families.

Three basic needs initiatives concerned with animal raising for food and income, low-income housing development using local resources, and capital generation at the local level, are described below.

2.1 Livestock For Food and Income

Heifer Project International (HPI) is a group whose mission is "to assist poor families in rural areas to produce more food and income for themselves with improved livestock. HPI provides superior animals adapted to available

resources -- plus the essential training in animal care and management for recipients to insure the health and productivity of their new animals and the success of the project." HPI projects are run by community groups, nonprofit organizations, and educational institutions all over the world including the United States.

One HPI supported project in rural New York State has assisted in the establishment of 15 sheep flocks by 15 low-income landowners in nine counties, who are using the sheep to help convert marginal, erosion prone land to pasture.

This project is managed in cooperation with the South Central Resource Conservation and Development District (RC&D). It meets the goals of the RC&D for improved land management while at the same time offering low-income families an opportunity to learn new skills and participate in an enterprise that can enhance household nutrition and supplement income through lamb sales.

HPI encourages the continuation of its programs by requesting each recipient to "pass on the gift" of improved livestock by returning some number of offspring to the organization sponsoring the project. Over time, this allows additional families to receive starter stock from the program. In addition to benefits for participating families, projects like this one also contribute to the local demand for services to support a diversified livestock base and can provide the basis for new market development for all area sheep producers.

Sheep populations are growing in New England and a great deal of promotional and organizational work is underway in several states. Similar programs to diversify the livestock base in Northern New York and, in particular, to involve low-income families who have access to underutilized lands is a project worth consideration for Northern New York.

2.2 Community Land Trusts and Low-Income Housing

"A community land trust is a democratic, nonprofit corporation with an open membership and an elected board of trustees. The board includes leaseholders of trust-owned lands, other residents of the community, and public interest representatives. The trust acquires land through purchase or donation with an intention to retain title in perpetuity, thus removing the land from the speculative market. Appropriate uses for the land are determined, and it is then leased to individuals, families, cooperatives, businesses, or to those using it for public purposes. Leaseholders must use the land in an environmentally and socially responsible way, but the trust may not interfere with their personal beliefs, associations, or activities. Leaseholders pay no down payments, credit, or conventional financing. Instead, they pay a regular lease fee to gain access to the land."[2]

Over recent years, the concept of the land trust has taken hold in rural as well as urban communities. Potential advantages of a land trust include:

- Conserving land and natural resources of special value to a community or family.

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[2] From "A Look at Community Land Trusts" by Chuck Matthei, Sojourner Magazine, November 1979.)

- Removing land from the speculative market and restructuring access to private land for the benefit of those who would otherwise be unable to afford such access.

- Creating an organization which can lobby effectively for financing to develop the land in a manner consistent with the goals of the trust and affordable by its participating families, establishing credibility greater than that of individual families with limited resources.

- Providing long term housing and other security to trust participants.

- Maximizing appropriate use of natural resources, whether for home building, farming, forestry or wildlife management, to enhance the economic well-being of trust members and to serve as a technical demonstration to the community at large.

Homeworkers Organized for More Employment (H.O.M.E.), a nonprofit organization in Orland, Maine "whose primary purpose is to help people help themselves" has worked together with community members to establish the Covenant Community Land Trust with 20 low-income families. They have successfully raised funds and purchased several parcels of land. Nine houses, at a cost of approximately $17,000 per house, have been built using the labor of future leaseholders and volunteers, and lumber from the trust property sawn at the H.O.M.E. sawmill whenever possible. Additional construction is planned for the near future.

The progress H.O.M.E. has made thus far has not been easily achieved. Some neighborhoods objected to having what they considered a "low-income housing development" in their community and managed to block the trust from building on purchased land through a change in zoning ordinances. State and federal offices of the Farmer's Home Administration (FmHA) were initially unwilling to provide low interest mortgages to potential leaseholders. Covenant Community Land Trust reached agreement with FmHA which resulted in a change of official policy toward mortgages on community land trust land. In addition to loans from FmHA, trust leaseholders are also receiving limited mortgage assistance from the Maine State Housing Authority.

Despite delays and disappointments, H.O.M.E. associates feel that the land trust is a particularly effective way to solve the housing problems of low-income families. With a limit to the resale value to leaseholders based on equity rather than inflation or speculative value, the incentive for families to stay in the house is greater than the incentive to sell for short term gain. H.O.M.E. hopes the result will mean more long term benefits for the families who become leaseholders including a gradual development of their commitment to other aspects of the trust, such as small-scale farming and woodlot management.

2.3 Self Help Association For a Regional Economy (S.H.A.R.E.)

One of the basic needs of any community economic development activity is usually capital. Therefore, one of the challenges in supporting the homegrown economy is to develop mechanisms to increase the direct investment community members make in their own communities. Of all the capital needs in rural areas, short-term working capital, capital that can be used to support small, labor intensive start-ups for limited income entrepreneurs is most frequently unmet.

One mechanism to achieve a recycling of local dollars (and, hopefully, a transfer of investment dollars from the wealthy to the not so wealthy people and businesses in the community), has been developed by Self Help Association for a Regional Economy (S.H.A.R.E.) of Great Barrington, Massachusetts. S.H.A.R.E. is a nonprofit organization established by community members in cooperation with the Great Barrington Savings Bank. S.H.A.R.E. loans to regionally based businesses with the understanding that the goods will be locally produced, using local materials, employing local people, and sold to a local market, and that production methods will be environmentally sound. S.H.A.R.E. strives to "create greater self-sufficiency in the production of basic necessities (food, shelter, energy) or in providing basic needed community services (transportation, health care, job training, legal services)."[3]

Citizens who would like to participate in S.H.A.R.E. can simply open a 90 day notice account at the Bank and designate this account as a S.H.A.R.E. account. This means that up to 75 percent of the deposit balance may be earmarked by S.H.A.R.E. as collateral in support of local loans. A S.H.A.R.E. loan committee composed of member representatives processes loan requests. Loans are limited to a $3,000 maximum and are short term (usually under a year) with an interest rate of 10 percent to cover six percent depositors' interest earnings and four percent for bank service fees. Borrowers must be S.H.A.R.E. members. Membership requires a $100 deposit, plus a $10 membership fee. The actual administration of loans is carried out by the Bank thus eliminating the need for additional fees to cover overhead expenses. As of January 1984, the fund had 50 members with $15,000 on deposit and one loan recipient, Rawson Brook Farm, producers of specialty goat cheese.

Depositors are attracted to S.H.A.R.E. because they know their money will be reinvested in a responsible manner in their own community. The Bank is supportive because the program allows it to make small local loans it couldn't make previously. S.H.A.R.E. is a good example of a localized basic needs approach to resource-based development that introduces new opportunities by building on an existing base of banking expertise.[4]

Another approach to microbusiness financing for low-income people is Job Start, administered by the State of Vermont. This program loans up to $5,000 at 8 1/2 percent simple interest per annum to households with gross incomes no greater than $12,000 to $16,000 depending on size of household. Neither S.H.A.R.E. nor Job Start provide technical assistance to loan recipients.

2.4 Summary

Projects that adopt a basic needs approach tend to exhibit the following characteristics:

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[3] From Greater Barrington Savings Bank brochure and "Criteria for Loans Collateralized by S.H.A.R.E.".

[4] Large scale investment capital provision projects are discussed under Small Business Development.

- They are locally initiated and maximize direct benefits to those who are centrally involved.

- They are implemented on a small-scale, usually involving less than 100 households or individuals, and require limited start-up capital. (The exception to this is the land trust model in which substantial capital may be required for the purchase of land.

- They depend on volunteer labor and in-kind contributions of expertise from the community.

- They concentrate on direct provision of goods or capital rather than formalized services such as training and technical assistance, although these may accompany the provision of goods as is the case with many HPI projects.

- While business and skill development may be a by-product of these projects, their emphasis remains on meeting specific basic needs.

- They often seek to enfranchise socially and economically disenfranchised community members and to alleviate the conditions of the poorer members of the community.

- They can yield concrete results in a relatively short period of time.

Projects such as HPI, the Covenant Community Land Trust, and S.H.A.R.E. (which are but a small sample of this type of project) can be greatly enhanced by the support of state or regional organizations willing and able to provide technical assistance in organizing, fund raising, cooperative structures, insurance, technical skills, and networking. At present, focused support for the types of activities suggested here does not appear to be available in Northern New York.

3.0 THE SMALL BUSINESS DEVELOPMENT APPROACH

The Small Business Development Approach (SBD) is the second stage in promoting resource-based community-economic development. As its name suggests, it is concerned with creating and supporting resource-based small businesses, specifically locally-owned businesses based on adding value to local natural resources. Examples of these types of resource-based small businesses include wool processing and production of knitted goods, leather working, furniture making, fish smoking, honey making, and many more.

3.1 Economic Importance of Small Businesses

While there has been little research on natural resource-based business development specifically, a great deal of research has been done on the role of small businesses in local and national economies. This research has important implications for the North Country where businesses with less than 20 employees account for at least 89 to 93 percent of all private establishments (County Business Patterns, 1980). While the pioneering work of David Birch (1979) has been challenged on a number of points, the emerging consensus (Teitz 1981; Armington 1982, 1983; Harris February 1983, June 1983, 1984) supports the basic conclusion that growing, young, small, independent businesses are a major generator of new

jobs in the United States. Definitions of small business vary with the study in question but the findings reported on here are consistent with a definition of firms with less than 100 employees. Estimates of the small business share of job generation range from roughly 40 percent to over 90 percent depending on the period and location under study and the methodology and definitions employed. Estimates of the small business share of total employment are in the 30 to 40 percent range. According to the Brookings Business Microdata Project, which is pioneering research in this area, 90.3 percent of new jobs in New York State from 1978 to 1980 were created by small businesses (less than 100 employees). An obvious but important caveat is that not all small businesses grow. David Birch's original finding was that young businesses are the primary source of expansion. We also know that certain industries are growing more rapidly than others.

Small businesses also have a number of other important qualities relating to economic growth. On the whole they are as, or more, profitable than other size categories. Michael Kieschnick (1979), in an analysis of Federal Trade Commission data, found that from 1965 to 1976, firms with less than $5 million in assets out-performed all other size groups.

Small businesses are also believed to be a prime source of technological innovation. Studies reviewed by the SBA (1983) found that small firms produce two and a half times as many innovations as large firms relative to number of employees and bring their products to market earlier, a little over two years for small firms against over three years for large firms. Most of the data reviewed suggested that small firms generate about half of all major innovations in this country, considerably more than their share of employment. They also innovate more efficiently. According to a National Science Foundation study (cited by Kent 1984) research and development investments in small firms are four times as productive per dollar spent than in large firms. The innovative behavior of small firms if recognized and properly managed, can create the basis for regionally identified export promotion.

Small businesses are important sources of human capital-building in the economy. As a major entry point for new workers in the labor force, small businesses are responsible for a great deal of skill training. Thus, the quality of jobs available in small businesses is an important contributor to future local growth (Harris).

Finally, small businesses are a source of stability in the economy. While small business dissolution rates are disproportionately high, they are less subject to cyclical variation in the economy than large firms. This conclusion is supported by recent research from the Brookings Business Microdata Project (Harris 1984), which found the following dissolution rates by firm size during two time periods:

	Total	<20	20-99	100-499	500+	Affiliates
1978-80	8.9	9.2	6.8	5.1	3.2	12.9
1980-82	8.5	8.4	9.0	7.7	5.1	33.6

The 1978-80 period was one of expansion with real GNP growing about 2.5 percent.

The period of 1980-82 was one of recession in which GNP declined a similar amount. Affiliated branches and subsidiaries of all firms sizes had the highest dissolution rates, which rose over two and a half times during the recession. This finding contributes to the argument against relying heavily on imported firms owned or managed by companies with headquarters outside the region. Dissolutions of firms with less than 20 employees actually decreased slightly during the recession while they increased by over 60 percent among the largest size class. The study also found that small businesses are more likely to dissolve without unmet liabilities than large firms, and that dissolution rates for firms less than five years old were two to three times the rate for older firms.

3.2 Relating Natural Resources to Small Business Development

In this section we will illustrate several specific strategies used by community-based organizations who have attempted to support and create resource-based businesses. Each of these strategies deserves consideration and more detailed evaluation in the Northern New York context.

3.2.1 Waste Recycling

The Mendocino Fisheries Improvement Program is operated by the Center for Education and Manpower Resources, a private nonprofit research and demonstration agency in Ukiah, California. The area in which the program operates has been adversely effected by the depletion of the timber resource. The waste and debris accumulated from the harvest of billions of board feet of timber had clogged up streams and had placed severe limits on the number of salmon and steelhead trout in the area. In order to alleviate the problem, the Fisheries Improvement Program decided to train unemployed people in stream clearing techniques and then put them to work cleaning up the waterways. The results of initial work in stream reclamation showed that a considerable percentage of the waste wood removed was redwood. Further investigation revealed a market for redwood products which could be manufactured from the waste wood. The result has been the creation of jobs and a manufacturing facility to turn waste into profit. The effect of the manufacturing facility is to spur demand for stream clearance which benefits the environment and the economy.

Another approach to waste utilization is through alternative energy applications. The Appalachian State University, the Appalachian Regional Commission, and the Tennessee Valley Authority have been experimenting with a technology to convert starch (corn in this case) to alchohol fuel, and to convert engines to run on the fuel. The leftover stillage is sold to farmers for feed. The plant they have developed is small, with a 60 gallon a week production capacity and the fuel costs $1.13 a gallon before deducting the income from selling the stillage. This and other types of small scale decentralized alternative energy applications may have considerable potential in Northern New York.

3.2.2 Adding Value to an Underutilized Resource

Often, new technology is needed to turn resources of low quality, such as marginal farmland or low grade hardwood trees into productive resources. Basic and applied research in agoforestry, aquaculture, use of marginal lands and development of new manufacturing techniques, can, combined with economic trends and market development, lead to changed assessments of resource value over time.

One example of the potential impact of a new technology on the value of a presently underutilized natural resource is being explored by The Hilltowns Community Development Corporation in Massachusetts. The Hilltowns CDC is working to secure funds to implement a new wood processing technology which will, they hope, make it profitable to harvest low-grade hardwood which is in ample supply in their area. The technology they are looking at is called System 6 and was developed at the nearby University of Massachusetts in Amherst. System 6 is a capital intensive process which transforms low-grade hardwood lumber into laminated blanks of the dimensions used by furniture manufacturers. Introduction of this technology, assuming appropriate markets are developed, would result in new jobs for harvesters, increased income potential for woodlot owners, and substantial improvements in the quality of the local forest resource over time. Locally produced blanks could also form the basis of supply to a new group of local furniture makers, creating articulation and expansion in the local economy. While it is too early to say whether this effort will succeed, in conception at least it is notable. This project suggests the potential for strong and deliberate links between the underutilized resource base of rural communities and technology development capacity of universities.

3.2.3 Introducing New Crops

As previously mentioned, one new "crop" which has received increasing attention in New England states in the past several years is sheep. Numerous programs to encourage sheep production, expand marketing opportunities for sheep producers, and use sheep to improve marginal land have been implemented. New technologies such as the introduction of New Zealand style electric fencing, pasture rotation, and accelerated lambing have contributed to this resurgence of interest, as has the desire of many to see and contribute to a more diversified agricultural base in their area.

One well-documented program to promote sheep raising has been conducted by Coastal Enterprises, Incorporated in Maine. CEI is a private nonprofit corporation working to improve economic conditions in coastal Maine through resource-based business development. The project itself has concentrated primarily on the development of a freezer lab market. A 1981 survey of customers helped the project develop three alternative lamb packages for families of different sizes and meal preferences. The project has also provided production assistance to small scale sheep raisers. The CEI marketing and production assistance program was based on a substantial amount of research into the sheep industry, costs of production, consumer preferences and market potentials for meat and wool.

Other recent examples of new crop introduction include efforts by the State of Maine to promote broccoli growing in the traditionally potato-growing Aroostook County and the introduction of vegetable farming to Minnesota farmers by Rural Ventures, Inc. With the exception of the broccoli production, which is simply a crop substitution, these other programs promoted small-scale resource-based business development by working with new producers growing crops unusual in their area. These programs contribute feasibility studies, production and management assistance, and help in developing markets for these "new crops". Similar programs for new crop introduction which would help maximize returns for many small producers could have great potential in northern New York.

3.2.4 Cooperative Development -- Organizing Small Producers

Some projects emphasize not only local ownership of businesses, but a

cooperative structure for businesses as well. The philosophy behind "cooperative economics" has recently been stated by the Northeastern North Carolina Rural Fund for Development and the Eastern North Carolina Rural Development Association.

"The philosophy (of cooperative economics) reflects the fact that for real participation and ownership to take place in a community, there has to be equal opportunity in the economic areas as well as in the political and social areas. Cooperative economics requires growth in people in ways that other forms of economic development do not. They may require capital and technical experience, but not require that local people have an opportunity to grow. Cooperative economics make good sense because in this context, community and economic development require the growth of local people, if the ventures are to succeed."[5]

In addition to contributing to the growth of local people, cooperatives can help members lower production costs, access new markets, and afford greater levels of technical assistance.

One example of successful cooperative development which brought together many small independent producers is the United Woodcutters Association of Mississippi. "The United Woodcutters Association is a membership organization with over 1,000 members in 60 chapters which are mostly low income pulpwood producers. This organization was founded in Mississippi in 1978 to further the economic and political well being of its members which have historically been at the lowest economic level in the Forest Products Industry. The majority of the members make less than $8,000 per year under the present 'shortwood system' which they utilize... They have been severely limited by education, misconception, and lack of understanding about the workings of the large forest products industry which they supply."

Originally, pulpwood producers were constrained by the unwillingness of local banks to loan them money to purchase stumpage despite the security of the investment. The UWA began a revolving Timber Fund which uses timber and hauling trucks as collateral for short term loans (60 to 90 days) and permits cutters access to more valuable stands of timber than were previously available to them. To offset the expense of woodcutting equipment, the UWA has formed an input supply cooperative which provides chainsaws, small tools, oil, and other harvesting equipment at discounts of 30 percent or more. A UWA credit union serves the savings and loan needs of members and UWA has been instrumental in developing affordable member insurance. Based on these successes, UWA is currently investigating the feasibility of starting its own forest product company to provide secure markets for the membership.

All of these activities are structured as worker cooperatives and provide valuable experience in organization and business management as well as a safer and more secure livelihood to members. Moving from small business development to sectoral intervention, the UWA has been able to develop sufficient political clout in the state of Mississippi to achieve passage of a Uniform Pulpwood Scaling and Practices Act in 1982. The act provides a basis for standardizing wood dealer and company procedures which were previously arbitrary and injurious to cutters.

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[5] From "Using Cooperative Economics as a Strategy in Rural Community Economic Development" -- unpublished paper, June 1984.

The "lack of understanding" and "misconceptions" concerning the workings of the larger industry or market of which they are a part, which plagued the woodcutters, is common among isolated small scale producers in rural areas. Small scale producers of a wide variety of resource products can benefit from organizations which educate producers concerning their role in and the value of their products to the larger economy. Coordination of small producers, whether through cooperatives or other mechanisms, is vital to overcome barriers of participation in the larger national and international economy.

3.2.5 Community Cooperatives

Community cooperatives are a phenomenon different from producer cooperatives in that membership is open to anyone in a community who purchases shares, whether or not that person will be directly involved in a cooperatively run enterprise. Community cooperatives create a direct link between community resources and community controlled economic development.

The Highlands and Islands Community Cooperative Scheme initiated by the Highlands and Islands Development Board, a Scottish government agency, is a new approach based on experience in Iceland and Ireland involving the sale of low-cost investment shares to community members to secure equity for a production cooperative.

The community cooperatives are intended to provide employment and economic opportunities for residents of depressed rural areas in the region. They are designed to operate under community control and ownership and to make profits which can be reinvested in additional growth.

Residents of the community as well as interested expatriates and outsiders subscribe shares for the initial capital of the cooperative. In accordance with cooperative principles, shareholders participate in the election of the cooperative's Board of Directors on the basis of one shareholder, one vote, regardless of the number of shares owned. The board sets policy, appoints management, and reports at least annually to the shareholders.

The cooperatives are organized according to a set of model rules developed by the Highlands and Islands Development Board and are registered as "Friendly Societies" under appropriate laws.

Community share subscriptions are matched equally by the Highlands and Islands Development Board which also provides grants to cover management costs during the start-up phase. Training and technical assistance is also provided and additional project financing is available under the Development Board's regular business assistance program.

No shareholder dividends can be paid during the first five years of operation so as to protect the Development Board's investment. Shareholders are discouraged from thinking of their investment as anything other than a contribution to the future economic vitality of the community.

As of mid-1983, almost $350,000 had been subscribed by communities in the formation of 14 multifunctional cooperatives. The Highlands and Islands Development Board had invested almost $1 million in the form of share matching grants (pure equity) and management grants. Additional support worth over $1.5

million had been provided in the form of field staff's technical support plus other grants and loans.

The cooperatives are multifunctional business ventures engaged in retailing, marketing, services, tourism, and production often in resource related areas such as knitwear, fish farming, meat processing, and peat cutting. Some of them have activities in all of these areas. Multifunctionalism is a requirement for participation in the scheme, the reasoning being that a diversified organization will stand a better chance of surviving downturns in particular activities if there are other income sources to support it. Multifunctionalism, linking production to marketing and services, increases articulation and economic impacts.

Thus far, some 54 full-time jobs have been created in addition to 26 part-time jobs and support for 103 independent producers.[6]

3.2.6 Private Enterprise Development

Private resource-based enterprises in rural areas come in many shapes and sizes. They may be businesses manufacturing hot tubs, woolen blankets, cheese, yarn, crafts, wooden buckets, down products, or any of an almost infinite variety of goods or services based on locally available raw materials. As we have seen, the entrepreneurial individuals who recognize opportunities to profit from natural resource use in rural areas can benefit from community support. Encouraging these entrepreneurs through a combination of recognition, technical assistance, and/or financial assistance, can have an impact on a rural economy but only if a structure to provide such support exists. Such a structure can assist existing businesses as well as those with business start-up plans.

The remainder of this chapter is divided into two sections. The first section discusses several organizations' approaches to providing technical assistance to resource oriented entrepreneurs or entrepreneural organizations and the second section discusses investment options, opportunities, and structures particularly for nonprofit corporations promoting resource-based economic development in rural areas.

3.3 Technical Assistance

3.3.1 Inventory/Needs Assessment

An inventory of small businesses, including resource-based businesses, is an important first step in identifying the potential for further development through networking, cooperatives, market improvement, or improved management capabilities. An inventory in the form of a directory is a good advertising tool for local businesses and, by raising visibility, encourages local purchase of locally available goods and services.

Hilltowns Community Development Corporation in Chesterfield, Massachusetts, developed a computerized directory to encourage local people to use local

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[6] Information from documents provided by the Highlands and Islands Development Board.

businesses. Businesses paid a $12 fee to be listed in the directory by town and by product or service (an additional $3.00 fee is charged for multiple product listings). Directories were mailed to all local residents. The directory identified many goods and services available in the local community that are not formally advertised elsewhere. This type of directory could also form a very useful basis for a more detailed study of the needs of local small businesses.

A formal needs assessment of small business, such as the one conducted by ACCION, International in Maine, can form the basis for effective development and targeting of small business support services.

In 1979, ACCION surveyed 82 micro-entreprenuers, approximately half of which were resource-based businesses such as saw mills, leather crafts, slaughter houses, woolen mills, vegetable stands, wood harvesters. They defined a microbusiness as "an enterprise with total annual income of under $200,000". They were usually individually or family owned and managed, and usually had fewer than five employees. ACCION found that "nearly three out of every four businesses expressed a need for improvement in running their business. The top priorities were clearly defined: for enterprises under $30,000 (gross sales), it was marketing, advertising, and promotion; for businesses between $30,000 and $60,000 it was accounting and finance; for businesses over $60,000 it was management. Many businesses needed all three." A systematic inventory/needs assessment of resource-based small businesses in Northern New York would point out areas of weakness and strength and suggest opportunities for future investment.

3.3.2 Production Assistance

The Cooperative Extension Service, the Soil Conservation Service, and the Agricultural Stabilization and Conservation Service all provide various levels of production assistance to resource users in Northern New York. However, in an effort to provide an efficient delivery system, most agents concentrate on the dominant activities in their area which, in Northern New York, usually means dairy production and the crop and land management concerns of dairy farmers. It is understandably difficult to provide substantive support to small producers of highly diverse resource products.

In 1981, the University of Massachusetts' Small Farm Management Assistance Program, in recognition of the declining agricultural land and farmer base of six northeastern states and in an effort to support producers of highly diverse commodities, began a program to test the usefulness of paraprofessional support for small farmers. Six paraprofessionals with farm backgrounds were recruited and trained by the program and each worked with 15 farm families in a single county in their state. One hundred and one farm families participated directly in the program and another 221 farmers learned from the program indirectly. Most participants were new farmers. Assistants provided help with farm management, production, and marketing problems. A cost-benefit analysis of the project suggested a return over five years of at least six dollars to farmers for every dollar spent by the program. Paraprofessionals are increasingly popular in many service delivery fields today and their potential value in resource-based and small business development deserves further study.

3.3.3 Market Development

Market development assistance can be critical to the success of small resource-based businesses. Most effective market development, especially in natural resource areas, seems to require a high degree of personal familiarity with the market structure for particular commodities and with the key players in various market transactions. This expertise must be tailored to the types of markets to be developed. Markets are distinguished by type (i.e. retail, speciality, or wholesale), by the way they are accessed (i.e. direct, indirect, mail order, etc.), and by their location (i.e. internal, local, export). Specific markets to be developed will depend on the type of product, production capacity, efficiency of production, stability, and optimum fit between complementary or supplementary market opportunities. For example, a vegetable grower may grow some crops for a wholesale market, others for a high priced specialty market, and others for farm-gate or pick-your-own markets. Each market fills an important seasonal and economic niche and the proper combination of markets heightens the efficiency of the whole operation. Different expertise may be needed not only for different commodities, but also for different types of markets.

One group that has been working on a technique for identifying opportunities to expand local wholesale markets for agricultural products is the Cornucopia Project of the Rodale Research Center in Emmaus, Pennsylvania. The Cornucopia Project has created a computer program to assist regions in identifying and evaluating unmet demands for local agricultural production. Applying their methodology to the Lehigh Valley of Pennsylvania, they found significant opportunities to expand local markets by connecting local producers with bulk food buyers including grocery stores, restaurants, schools, nursing homes, prisons, rehabilitation and treatment facilities, and local industries. Purchasers in these categories expressed willingness to buy $8.1 million dollars worth of locally produced fish, meats, vegetables, fruits, honey, dairy products, and eggs annually.

These are commodities which are currently purchased outside the region and imported. Based on survey results, "$19.6 million could be generated in additional local revenues through the cycling of the new market potential through the local economy."

Adapting this methodology called AgMarket Search to Northern New York would suggest priority areas for expanded production and for the development of new and diversified resource-based enterprises.

An innovative approach to direct market development, described in a recent issue of The New Farm magazine (September/October 1984), is the brainchild of a growers' association in Sonoma County, California. They've developed a Farm Trails program that goes beyond the common printed directories of u-pick operations and roadside stands. They provide consumers with a good quality road map complete with back roads and landmarks and clearly numbered farms. A product directory referenced to farms accompanies the map and a fresh produce calendar is included. Each participating farm displays a Sonoma County Farm Trails sign with their farm number on it. This program has not only boosted direct sales to consumers, but has also helped put small farmers in touch with one another to their mutual benefit. Growers pay an annual fee on a sliding scale to join the organization and also pay a sign rental fee. The clear directions and signage are particularly beneficial to farmers who are off the beaten track. Other examples of retail market development, specialty market development, farmers

markets, and wholesale market development are available in the files (see Resources for more information).

3.3.4 Training and Marketing Development

Sometimes it is possible to stimulate local employment by providing training and creating a market for new skills simultaneously. The Redwood Community Development Council of California has been successful in doing just that through their Forest Improvement Center.

With a decline in the number of forestry jobs available, Humbolt County has a large unemployed labor force of people familiar with the forest but not with techniques of forest maintenance and regeneration. The Center has developed a curriculum to train displaced workers in forest land improvement and rehabilitation and has negotiated an agreement with the Redwood National Park for use of the park's land for model watershed rehabilitation projects.

In order to stimulate demand for forest improvement services among private landowners, the Center has developed workshops and materials to educate landowners about their eligibility for state and federal cost-sharing programs and tax incentives for forest management and improvement work.

The approach seems well-founded, although continued funding for the program was questionable as of 1981 when it was written up in Facilitator's Role in Collaborative Rural Development: The North Carolina Rural Employment Laboratory Final Report by MDC, Inc. The problem of managing private forest lands and linking their management to local employment creation is receiving considerable attention these days and other useful models will surely emerge.

3.3.5 The Package Approach to Rural Small Business Development

The Council for Small Industries in Rural Areas (CoSira), a government sponsored program in Great Britain, provides a complete package of support for rural enterprises including assistance in locating unused space, rehabilitating old buildings, business management and financial assistance, and even help in the development of new technologies for manufacturers. A program at this scale would almost have to be a government program, yet each of the elements in the package is important. One useful research project for the Northern New York region might be to conceive of a comprehensive assistance program to support resource-based small business development, identify elements of the program that are already in place, and give priority to the order in which new elements should be developed. This type of work could be based on a much more thorough evaluation of CoSira and other similar programs than has been possible here.

3.4 Investment Strategies

The community development corporations (CDC's) described here involve themselves directly in the community economic development process as investors and developers. They are thus distinct from other kinds of community organizations that are involved primarily with social service provision, counselling, education, political organizing, or other kinds of community development activities. While CDC's may also do these things, what distinguishes the ones treated here is their use of capital to support community economic development. There are two basic forms of investment capital - debt and equity. Whether investors have significant control of the recipient depends on the mode in which they are

making the investment. These dimensions of the investment universe are suggested by the following two by two matrix:

		CAPITAL	
		Debt:	Equity:
CONTROL	Low:	1. LENDER	3. SHAREHOLDER
	High:	2. (RECEIVER)	4. OWNER

The three active cells (1, 3, 4) translate into three basic CDC investment strageties: (1) lending to new or expanding enterprises; (3) taking equity positions in new or expanding firms; and (4) starting or acquiring subsidiary enterprises. In practice, the line between the first two strategies (1 and 3) is sometimes blurred by the fact that the limited resources of CDC's dictates a highly leveraged investment approach. CDC debt is usually a subordinated portion of a larger loan package and may, therefore, be regarded as equity from the point of view of a senior lender. From the point of view of the borrower, however, all debt looks like debt. For the new enterprise, equity can be a key ingredient of success or failure.

The three rural CDC's described below illustrate these basic strategies. Coastal Enterprises, Inc. is a relatively young but highly entrepreneurial CDC which, among other things, finances the expansion of locally owned, natural resource-based enterprises in midcoast Maine. In eastern Kentucky, the Kentucky Highlands Investment Corporation has established a unique record of successful venture capital investments supporting low-technology manufacturing start-ups, largely by in-migrant entrepreneurs. The Delta Foundation starts, buys, and operates wholly owned, for-profit, subsidiary businesses that create jobs for poor black residents of Mississippi's Delta region.

3.4.1 Coastal Enterprises, Inc.

CEI is a CDC serving the midcoast area of Maine. Started in 1977, with its origins in a local Community Action Agency, it has grown into a successful and innovative model of rural economic development.

CEI's initial approach focussed on the development of natural resource-based producer cooperatives. One of its largest early efforts in this direction involved the formation of a vegetable growers' wholesale marketing cooperative. After substantial investments of its own and other's efforts and capital, the cooperative failed. The precise reasons for its demise are complex and not all participants and observers agree. What is important here is the learning process that CEI went through as a result of this attempt. The basic lesson, and one that other CDC's have also learned the hard way, was that start-ups of new enterprises, with the CDC taking a leading role as catalyst or entrepreneur, can be exceedingly difficult and complex endeavors and an open invitation to failure.

CEI's current strategy is oriented towards supporting the expansion of existing small enterprises, both private and cooperative. Throughout its history, CEI has demonstrated a recognition of the importance of forward and backward linkages in the local economy by focussing on supporting activities which generate and support other economic activities. Its emerging strategy involves broader sectoral interventions: the creation of an Export Trading

Company for the local fishing industry; a lamb marketing pilot project to test the feasibility and lay the groundwork for the establishment of a statewide lamb marketing association; and a project involving local entrepreneurs exploring the feasibility of establishing aquaculture as a new industry.

Purposes - CEI defines its primary purpose as providing financial and technical assistance to small businesses, cooperatives, and natural resource industries.

Structure - CEI is a 501(C)3 nonprofit corporation and a Certified Development Company under the SBA 503 program (see below). Its board of directors is self-selected (i.e. existing directors appoint new directors) with an emphasis on relevant expertise, particularly in financial analysis.

Sources of Funds - CEI obtains external funds from a variety of sources, both public and private, as well as its own earnings on investments. They include the Unionmutual Life Insurance Company, the Ford and Rockefeller Foundations, National Churches, United Presbyterian Foundation, the U.S. Economic Development Administration, the U.S. Small Business Administration, the U.S. Department of Health and Human Services, and others. Terms of funds vary from outright grants and donations to loans, matching funds and loan guarantees provided under various conditions, amounts, duration, and prices.

Uses of Funds - Grant funds and loan income are used both as investment capital and to cover operating costs while funds loaned to CEI by outside agencies are invested in local enterprises. CEI is about 60 percent self-sufficient in terms of operating costs and expects to achieve total self-sufficiency at the end of 1984.

Tools and Methods - CEI operates a number of different programs. As a Certified Development Company under the SBA 503 program, CEI is able to leverage substantial amounts of private and public capital. In a typical 503 loan package, a first mortgage loan for 50 percent of the project is financed by a private lender. The SBA issues a 100 percent guarantee (up to a maximum of $500,000) for CEI debentures (unsecured bonds with a maximum maturity of 25 years) covering 40 percent of the project which are then sold to the Federal Financing Bank. This portion of the loan is secured by a second mortgage. The remaining 10 percent comes from CEI itself in whatever form it chooses to provide it. The combined interest rate reflects the costs of funds to the Federal Financing Bank, CEI, and the prevailing rate from the private lender (normally not more than three points above prime). Project financing is usually in the range of $150,000 to $1.5 million and cannot include working capital or assets of less than 15 years of useful life. Businesses must meet SBA's small business definitions and must have been turned down by their regular lender.

CEI also operates a Rural Development Investment Fund initially established in 1980 under a $500,000 award (30 year term at one percent and no principal payments for first five years, 9.25 percent plus principal thereafter) from the Rural Development Loan Fund program of the Community Services Administration's Office of Economic Development. The initial capital was fully utilized in the direct creation of approximately 88 full-time equivalent jobs at an average cost to CEI of $5,681 and leverage ratio of 1:3.6. Other sources of funds have brought the total invested under the RDIF to $3.3 million with total direct job creation estimated to soon reach 274 jobs at an average cost of $12,000. Based

on a natural resource industry multiplier of about three, total job creation is estimated at 600.

CEI's newest program, the Small Business Finance and Employment Training Project, links CEI investments to job-generation and employment training for the economically disadvantaged. Working with a $2.5 million pool derived from a variety of sources ($150,000 grant from Unionmutual Life Insurance Company, $450,000 grant and $1 million loan from the Federal Department of Health and Human Services Office of Community Services, $25,000 loan from the Episcopal Church Publishing Company, and $750,000 loan from the Ford Foundation), CEI invests in locally owned, expanding small businesses engaged in value-added manufacturing or labor-intensive activities offering employment training opportunities and progressive wages and working conditions. The guiding principles of its investment strategy are (1) a focus on stable and growing sectors of the economy where small business plays a role, (2) maximizing development impact by concentrating on export or value-added industries, and (3) targeting of businesses and industries whose growth will create jobs accessible to economically disadvantaged workers. Funds can be used for working capital, equipment and machinery, plant acquisition, and improvements. Terms of loans are flexible and may include subordinated debt, fixed rates, and reduced debt service during the early life of the loan. Funds will be leveraged at a minimum ratio of 1:2, with CEI's share in the $25,000 to $300,000 range. CEI will act as a broker and packager, assisting the small business in obtaining targeted job tax credits and on-the-job training assistance and wage subsidies available under the Job Training Partnership Act. CEI also provides limited technical assistance and arranges for additional assistance through other public and private sources, if necessary. Recipients of the loans must reserve one-third of new jobs created for AFDC eligible young, veteran, handicapped, and older workers.

Accountability - CEI is not a membership organization and is formally accountable only to its board of directors and to funding sources with thom it has agreed to abide by specific conditions. All investment decisions are ultimately made by the board.
SOURCES: field interviews with CEI staff, board members, and clients; internal CEI documents.

3.4.2 Kentucky Highlands Investment Corporation

KHIC is a "title VII" CDC which grew out of the collective efforts of local Community Action Agencies in the impoverished coal country of Eastern Kentucky during the late 1960's. Its initial strategy of setting up employment generating enterprises affiliated with the community action agencies in each county proved unworkable and by the early 1970's the predecessor organization, Job Start, had reorganized into KHIC.

Purpose - KHIC is now devoted to creating new and permanent employment by taking high risk, venture capital and term loan positions in start-up and expanding business enterprises located in Eastern Kentucky.

Structure - KHIC is a 501(C)3 nonprofit corporation. It has three wholly owned subsidiaries: Mountain Ventures, Inc.; Kentucky Highlands Real Estate Corporation; and Newventures Capital Corporation.

The 21 member board of directors is composed of two representatives from

each of seven nonprofit groups (the original community action agencies that started KHIC) located within the nine-county KHIC target area, one representative from each of two (Economic Development Administration and Appalachian Regional Commission funded) Area Development Districts that overlap the target area, and five additional members selected by the prior 16. Members serve two year terms with unlimited reappointment, rotation of about a fifth of the board annually occurs naturally. The board approves all investment decisions. The three KHIC subsidiaries and KHIC itself all have the same board of directors.

The staff of KHIC represents an unusually high level of business and financial expertise. The current President was formerly vice president of a publicly held venture capital firm in Washington, D.C. His predecessor was a CPA with experience in a national accounting firm. Responsibility for the three KHIC subsidiaries is dispersed among the core staff resulting in a relatively nonhierarchical staffing structure where staff members have broad knowledge of the CDC's operations and share in decision-making.

Sources of Funds - KHIC received substantial assistance from the Community Services Administration throughout the 1970's. As a result it has been able to build its capital resources to the point where it now has a net worth of about $8 million. This allows it to meet its operating costs out of investment earnings.

Methods - When KHIC became disillusioned with their early attempts at directing business start-ups themselves, they turned to the then newly formed Institute for New Enterprise Development (INED) in Massachusetts. INED specialized in applying recent social science research on achievement motivation (based on work of David McClelland) to identifying and evaluating entrepreneurship. The method involved recruiting a flow of potential entrepreneurs through advertising, networking, and so forth, who are prescreened on the telephone and then interviewed. Eventually a small group of serious prospective entrepreneurs would be invited to a series of weekend workshops in which they would play games, analyze cases, and engage in discussions, role playing, business plan presentations, and mutual and self criticism. INED analysts would appraise the participants' entrepreneurial capacities on the basis of the attitudes, skills, and plans they revealed during these workshop sessions and would then refer the best prospects to KHIC.

KHIC continues to utilize essentially this process, although it no longer relies heavily on INED as an intermediary. The strategy has produced impressive results. The first investment, made in 1973, of $220,000 in leveraged equity and subordinated debt in two entrepreneurs starting a tent company had resulted, by 1979, in a business employing 120 people with sales of $10 million, plus a profitable spinoff company making sleeping bags and employing 50 people. Other KHIC backed enterprises include a kayak manufacturer (outsider start-up), a producer of hardwood trophy bases and presentation plaques (local entrepreneur), a hog finishing business (local entrepreneur), a manufacturer of steel and aluminum truck beds and body accessories (expansion of local firm), a maker of rental uniforms (new branch of Ohio company), and a sand and gravel quarry (local entrepreneur). Aside from the stipulation that its investments be in primary or secondary industries (rather than tertiary service and commercial activities), KHIC is willing to invest in almost any activity regardless of local linkages.

The major constraint KHIC has faced in pursuing its goals is not a lack of capital but a lack of entrepreneurs willing to locate in Eastern Kentucky. Out of an estimated 500 inquiries annually, the President considers two successful deals to be a very good year. A new strategy, just established, is the Aspiring Entrepreneurs Program, in which potential entrepreneurs who do well by KHIC's other criteria but don't yet have a fully developed business plan are invited to join the KHIC staff in an internship capacity. The first advertisement, placed in a major Midwestern newspaper, generated 200 responses in a week.

Newventures is a KHIC subsidiary which specializes in unsecured lending to small local firms (using a $750,000 pool from the Community Services Administration). An HEW grant funded initial staffing requirements. This program is being phased out as the loan transaction and supervision costs exceeded the returns that could be made on small loans and the program was thus not self-supporting.

Mountain Ventures is a KHIC subsidiary licensed as a Small Business Investment Company by the SBA (see appendix). This permits the 1:4 leveraging of KHIC capital with SBA capital.

Accountability - KHIC is not a membership organization and is accountable only to its board of directors. However, the board is balanced to maintain geographic representation of KHIC's service area.

Sources: Smith (1980), telephone interview with President, KHIC documents.

3.4.3 Delta Foundation

The Delta Foundation of Greenville, Mississippi is also a "title VII" CDC established in 1969 by 14 local community groups, mainly Community Action Agencies, and the Delta Ministry of the National Council of Churches. The Mississippi Delta region encompasses 16 counties and over a million people of whom over half are black. In 1970, Delta's first year of operation, the proportion of families in each county living below the federal poverty level ranged from 33 to 56 percent. Delta Foundation was started to deal with the lack of capital for economic development and the lack of professional financial and managerial capacity in the region.

Unfortunately, the founders were primarily community activists, not professional financiers and managers. A solution was found that made Delta one of the classic stories of CDC partnership with the private sector. When Delta was just getting started, one of the board members met the Chairman of the Cummins Engine Company, who had just given a speech on the social responsibilities of American corporations. The Delta board member invited the Cummins Chairman to put his words into practice in the Mississippi Delta. Cummins loaned the Delta Foundation two executives for two years at Cummins' expense. One of the executives chose to stay with Delta at the end of the period. Since then Delta has developed a highly skilled team of professionals, including recruits from across the country. Despite a clearly justifiable preference for hiring blacks, Delta recognizes that performance is the key criterion, with the result that some of their subsidiary companies have been managed by whites.

Purpose - Delta's primary purpose is the creation of jobs and incomes for Delta residents through the development of local, minority-owned enterprises. A secondary purpose is the development of a significant pool of capital to finance

the objectives of the Delta community.

Structure - Delta Foundation is a nonprofit corporation with three for-profit subsidiaries: Delta Enterprises, Inc., Delta Development and Management Corporation, and Delta Group Consulting Services. Delta Enterprises is a holding company with full ownership of for-profit manufacturing subsidiaries organized into three divisions: apparel, metalworking, and electronics. Delta Development and Management Corporation is the investment arm of the group and in addition to its own loan and investment programs, it operates a subsidiary, Sun/Delta Capital Access Center, Inc., which is a Minority Enterprise Small Business Investment Company licensed by the Small Business Administration (see appendix). Delta Group Consulting Services, formed two years ago and the newest addition to the group, provides technical assistance and consulting services nationwide on the basis of the collective knowledge of Delta's 14 years of economic development experience.

The Delta Foundation board has a core group of permanent members representing the founder organizations. These members appoint individuals and representatives of other nonprofit groups who share Delta's concerns and provide needed skills to two-year renewable terms.

Sources of Funds - Delta initially drew support under title VII from the Community Services Administration and other federal programs and private sources, but has long since become independent through its business investments.

Uses of Funds - In addition to its operating and investment activities, which it now meets essentially out of its own funds, Delta also provides grants and other support for community groups through its Social Catalytic Investment Committee.

Methods - Delta is relatively unique compared with most CDC's in having successfully pursued the strategy of starting and operating wholly-owned businesses. Their first venture, a jean manufacturer, went through a rocky start losing its manager and sole buyer before hitting its stride in its second year with a contract to supply JC Penney department stores. Out of that experience, Delta learned an important lesson. That lesson was that it is easier to buy an existing firm and relocate it than it is to start one from scratch. Having successfully purchased and relocated a stamped metal products plant from Tennessee, they turned their search to related plants utilizing stamped metal products, finally purchasing and relocating three additional plants from Tennessee, Arkansas, and elswhere in Mississippi.

Delta's whole approach, as evident by their activities, is highly sophisticated. In each venture they have taken a business investment approach coupled with a systems perspective of forward and backward linkages. In fact, they explicitly utilize two sets of measurement criteria to guide their venture analysis: business measures relating to the economic viability of the project; and economic development measures relating to community impact, e.g., quality and quantity of jobs created, potential for import substitution or exports, etc. Delta Enterprises currently owns six companies employing over 300 people. Two of their ventures went out of business during the recent recession.

Accountability - Like the other CDC's described here, Delta is not a

membership organization and is accountable only to its board of directors. The board itself has strong links to the community and is highly stable because of the permanent presence of the founder organizations. Furthermore, Delta is closely linked through shared ideology as well as common board members with a sister organization, Mississippi Action for Community Education. MACE is a grass-roots, activist organization involved in multiple community development activities and plays a complementary role to Delta's job development focus. Sources: Smith, 1980; telephone interview with vice president; Delta documents.

3.5 Conclusion

This section has touched briefly on a number of components of resource-based small business development including ways of relating the resource base to business opportunities, technical assistance activities and investment for small business development. One logical starting place for Northern New York communities would be an inventory/needs assessment of existing resource-based small businesses. The results of such an inventory might well provide the data and direction required to establish relevant ongoing programs of support. Awareness of resources, techniques, and programs developed elsewhere in specific commodity areas could be of considerable value as the focus for activity in Northern New York takes on greater definition.

4.0 THE SECTORAL INTERVENTION APPROACH

This is the third approach to natural resource-based economic development that we've uncovered in our survey of projects and literature. The "sectoral intervention approach" has been described by Bill Duncan, President of MACED in Kentucky, as an approach that seeks to shape the forces that affect businesses and the quality of life in your area. Duncan describes the process of sectoral intervention has having four components:

1) setting a realistic goal,

2) combining experience in advocacy with experience in economic and business development,

3) gaining specialized knowledge of a particular industry and/or economic sector,

4) making a "sectoral intervention" "which can make a difference throughout an industry rather than being just one more cork bounced in the waves of larger markets".

The sectoral intervention approach requires detailed knowledge of a particular sector as well as a long term commitment to change. It is not an approach which promises immediate payoffs. Programs utilizing a basic needs and/or small businesses development approach within a carefully articulated and development strategy that includes a focus on specific sectors can, over time, gain the necessary experience and credibility to succeed at sectoral intervention. Most who have undertaken sectoral intervention view it not so much as a place to begin but rather as a level of insight and impact to aspire to. Three examples of sectoral intervention in action are presented here. Most have occurred quite recently and for two of the three the results are not yet in. Nevertheless,

there appears to be a trend toward this type of analysis and intervention among creative and technically well-endowed organizations and actors in the rural economic development arena. The three examples given here relate to improving capital availability for small business start-ups, stimulating of export markets for processed natural resources, and releasing the demand for housing among low-income rural residents.

4.1 Export Trading Companies/Coastal Enterprises, Inc.

The Export Trading Company Act of 1982 was designed to strengthen the U.S. foreign trade position by encouraging small firms to enter export markets. The Act permits firms to band together for export purposes without violating anti-trust statutes and it removes restrictions against bank participation in owning or investing in ETC's. Export Trading Companies can provide small firms with a range of services, including market research, legal advice, and financial assistance for the exporting aspect of their business which these firms would be unable to afford individually.

The advantages of exporting to the small businesses and, in turn, to the communities in which they are located, include:

1) increased annual sales through a broader market, leading to increased employment;

2) alternatives to domestic markets during periods of economic uncertainty in the U.S., increasing job stability;

3) markets for basic goods no longer considered desirable by U.S. consumers but still of considerable value in less developed societies, prolonging the life of traditional goods and technologies;

4) extended production schedules due to overlapping seasonal variations in foreign markets, again increasing job stability.

All of these advantages can apply to natural resource-based businesses. An ETC may be organized by the public sector (say, a coalition of local governments), by the private sector, or by combined efforts of the two sectors. There are a wide variety of models for ETC's and a large number of government agencies prepared to provide assistance to groups interested in exploring their formation.

One group that has begun to develop an ETC to support local resource-based businesses is Coastal Enterprise, Inc., a nonprofit investment corporation in Maine. Since 1977, CEI has been supporting first the start-up and later the expansions of local resource-based businesses. Building on their familiarity with the circumstances of these businesses and with plight of fish processors in trying to compete in domestic markets in particular, they initiated research into the feasibility of forming an ETC to open new markets to small fish processing plants in coastal Maine. Note that this decision was based on analysis of the fishing industry and identification of limited markets as a key constraint to these businesses. CEI has secured federal funding for an investment capital grant to companies who are independently in the process of organizing an ETC. Company members will hold stock in the ETC and will receive technical assistance from CEI in the process of ETC implementation and linkages with individual companies. It is hoped that the ETC will provide new, lucrative, and most

importantly, stabilizing markets for small fish traders and processors in Maine, and perhaps across New England. A similar approach may have considerable potential for processors of wood and agricultural products in Northern New York. Once again, this approach requires leadership and a commitment to long term organizing as well as solid research to succeed.[7]

4.2 Low Interest Mortgages/Mountain Association for Community Economic Development

A second example of sectoral intervention comes from Kentucky and an organization called Mountain Association for Community Economic Development (MACED). MACED conducted an analysis of the housing delivery system service in rural eastern Kentucky discovered that the lack of affordable mortgages was creating a depressed demand for housing, especially among low income people. This, in turn, was impacting people working in the construction industry and local input suppliers.

To address this problem they proposed and eventually formed a consortium of 94 local banks to access the secondary mortgage market through the Federal Home Loan Mortgage Corporation and private mortgage insurance companies. They found that complicated and time consuming federal procedures were making mortgage insurance programs "virtually unusable in many rural areas". By working directly with the federal agency they were able to recommend procedural refinements to eliminate many of the obstacles to rural participation. Through the consortium, MACED has been able to assist many banks in qualifying as Freddie Mac lenders. In addition, MACED worked with the local banks to put together a 31.8 million dollar single family mortgage revenue bond issue. These funds will enable banks to make five percent down, 30 year, 11.75 percent mortgages available for about 750 houses in the 15 county area. Special funds will also be available to reduce initial monthly payments up to 20 percent for families with incomes too low to qualify without such assistance. In undertaking this project, MACED has provided critical leadership, expertise, an innovative vision and investment funds to cover up front expenses associated with the bond issue. On the strength of its achievements in working with local banks as well as its overall track record, MACED was able to procure the funds needed for this investment from a variety of foundation sources. MACED will continue to work to find ways to provide additional funds for low interest mortgages and may also be able to direct attention to subsidiary constraints associated with housing provision in their service area.

4.3 The New Hampshire Community Development Finance Authority Act and the New Hampshire Community Loan Fund

The NHCDFA and the NHCLF represent a two-pronged approach to solving the capital availability problems facing small business and especially cooperative businesses in rural areas. The NHCDFA, modeled after similar legislation already in place in Massachusetts, and Wisconsin, among other states, creates a Finance Corporation and a Finance Authority venture capital and technical assistance support system for community-based or employee owned small

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[7] For more information about Export Trading Companies, write: Department of Commerce and ask for the International Trade Administration's Export Trading Company Guidebook (March 1984).

businesses. Both the Authority and the Corporation are capitalized by private sources in the following manner. The Finance Corporation will issue stock and the State will allow a tax credit against a corporation's state tax equal to 75 percent of the purchase price of the Finance Corporation stock as long as the stock purchaser makes a state and federal tax deductible contribution to the Finance Authority that is at least equal to the stock's price.

"For example, a private business that made a $10,000 contribution to the Finance Authority could allocate half its funds to the tax-exempt Authority and the other $5,000 as an investment in the for-profit Corporation. The $5,000 contributed to the nonprofit Authority would provide the business with its normal federal and state tax deduction amounting to savings of over $2,500."[8]

Although the Act was signed by the Governor of New Hampshire in July 1983, he had yet convened the first meeting of the board (without which the program cannot get underway) as of October 1984. While similar legislation has proved effective in other states, it is too early to tell in New Hampshire.

At the same time that the NHCDFA was being prepared, lobbied, and passed, Michael Swack and others at the program on Community and Economic Development at New Hampshire College who had been instrumental in shaping the NHCMFA, were developing an alternative, non-legislative approach to the problem of capital availability. This approach has become the NHCLF, a fund which is supported by private individuals, churches, organizations or corporations who wish to see their investment benefit their own community. "Lenders may specify the terms of their loan (number of years, interest rate, and schedule of repayment). A lender may also designate a particular type of project (like housing) or a specific area (like Grafton County) or even a particular recipient... The NHCLF serves as an intermediary between community groups and local lenders who have capital available. The NHCLF identifies and evaluates opportunities for community development loans and can inexpensively negotiate and manage these loans. The NHCLF places and manages loans that lenders haven't the time, practical means, or desire to be involved in directly."[9] Projects considered for loans include: housing cooperatives, community development corporation ventures, employee cooperatives, community land trusts and similar endeavors.

Since 1983 when the fund began, they have borrowed $200,000 from socially responsible investors and have attracted $35,000 in a restricted endowment. They are presently gearing up to market the fund more widely among New Hampshire investors. Lenders have included private individuals, churches, and banks.

The fund is administered by a single full-time staff person and an active volunteer board of directors. It is estimated that the fund can become self-sufficient in terms of its administrative and overhead costs when it has borrowed between one and two million dollars from community investors. Loans to date have been made to food cooperatives, a yogurt business, a printing cooperative, and a housing cooperative, among others. Among other loan criteria is the

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[8] From "Two CDC Advocates Guide N.H. Venture Capital Effort" in Resources, November 1983, page 9.

[9] From NHCLF brochure.

extent to which dollars from the fund can help leverage dollars from other sources.

Although the fund is not interested in owning other peoples' businesses, they are open to restructuring of debt so that it approximates an equity arrangement and are willing to evaluate ventures considered too risky by area banks.

While the NHCDFA, if successfully institutionalized at the state level, could become a major source of capital for community-based businesses in the future, the NHCLF has already demonstrated a willingness to invest and a need to borrow to support the types of community-based and often resource using small scale economic development activities stressed in this report.

4.4 Conclusions

In summary, the sectoral intervention approach as illustrated by CEI, MACED, and New Hampshire gives an indication of what can be accomplished by a third sector organization capable of cooperation with state and federal actors which can direct its activities not only to the support of local businesses but also to fulfilling the larger needs of people in a given region who are not being adequately or optimally served by existing institutions.

5.0 CONCLUSIONS

In this paper we have suggested that there are three basic approaches to stimulating growth and development of economic opportunity for Northern New Yorkers designed to provide long term stability and increased articulation in the regional economy. These approaches are the Basic Needs Approach, which focuses on issues of welfare, equity, and improved distribution of benefits from natural resources; the Small Business Development Approach, which emphasizes creating an environment of support for local entrepreneurs, especially those with ideas related to creative natural resource use; and the Sectoral Intervention Approach, which depends on analysis of existing resource use patterns and identification of constraints affecting one or more groups of resource users.

These three approaches are presented as stages in a learning curve about the complexity and opportunities of the regional resource economy. The institutional structure required to support each approach increases in sophistication as one moves along the curve from Basic Needs to Sectoral Intervantion. So do the numbers of people and the size of the geographic area likely to feel the impact of a given project at each stage and so, understandably, does the level of resources, both financial and experiential, required to successfully carry out projects at each succeeding stage.

Unfortunately, we have not been able to provide a rigorous evaluation of the strengths and weaknesses of these approaches, or of the individual projects and models developed by practitioners in each area. This is in part due to the limited scope of our research effort and in part due to the current state of flux in the rural and community development field.

The fact is that many of the initiatives we've uncovered are too new to evaluate effectively. Nonetheless, in the course of our work, we have been

convinced of certain fundamental factors which affect the outcome of projects in the natural resource area. In concluding, we would like to briefly share these observations.

First, successful projects require a change in conception about the natural resource economy on the part of local planners, developers, and third sector participants. When we refer to this economy, we mean more than production in the primary sector, more than growing vegetables, harvesting wood or mining. We include in our definition of natural resources the processing of these resources, the packaging and marketing both locally and outside the region, and the development of support services for producers, processers, marketers, etc. We also include improved access to resources as a step toward decreasing dependence on government handouts. When viewed in this broader, dynamic context, opportunities for strengthening community economies through natural resource use abound, especially in an area as well endowed with raw materials as is Northern New York.

A second critical factor affecting the outcome of specific initiatives is frequently the level of expertise available to communities to plan and implement each initiative. For example, in the area of marketing resource products, each product, whether maple syrup or sawlogs, has its own unique markets. Knowing how to identify these market niches requires specific familiarity with the product in question and with normal market channels, pricing policies, shifts in demand preferences, etc. Someone with the skills and experience to promote Northern New York hardwoods will, in all likelihood, not be familiar with the structure of the market for livestock or fruits and vegetables. Similarly, expertise is the key in developing capital resources and in providing technical assistance to small businesses.

In some of these areas, the expertise already exists in Northern New York. We believe this is so in the area of basic small business assistance, for example. What is lacking appears to be effective geographic coverage, especially in rural communities (most organizations in this area are spread too thin and lack orientation toward developing the natural resource economy). A focus on local entrepreneurs and the willingness to take small beginnings seriously are also important. In other areas, such as new technology development and market development for existing resource products, local expertise may well be lacking and an organization committed to importing that expertise may need to emerge.

This brings us to the third important general finding. In most regions where effective initiatives have emerged, support for these initiatives has come from both the public and the private sectors and has frequently (although not always) been coordinated through a well-managed third sector (nonprofit) organization. Such an organization, committed to the goals set forth in this report, is absent in Northern New York.

However, the impending expansion of the Army's Fort Drum facility may provide the impetus for the creation of one or more groups with the capacity to follow through with one or more of the approaches we have described.

Among the groups who are working to formulate local responses to the expansion are the Fort Drum Steering Council, the Drum Area Council of Governments, and the Local Development Corporation of Jefferson County. As these groups (and others with a longer history in the region, such as the Tug Hill Commission,

the Adirondack Park Agency, The Adirondack North Country Association, Industrial Development Agencies, and area colleges and universities) develop their thinking about the region's economic potential and how best to realize it, the authors of this report hope they will find inspiration and valuable information in these pages.

6.0 RESOURCES

Introduction

This section includes a partial listing of organizations involved in various types of natural resource-based community economic development programs. Organizations are listed by the type of approach they employ. The name and address of each organization and a key contact (if available) is listed along with a brief description of their areas of expertise. Some additional information about many of these organizations, including some printed material, is available from Mr. David Gross, Community Resource Development Specialist for New York State. He can be contacted by writing c/o Cooperative Extension Service, 106 Fernow Hall, Cornell University, Ithaca, New York, 14853-7801, (607) 256-7703.

The Basic Needs Approach

Organization	Areas of Expertise
Gardens for All, Inc. 180 Flynn Ave. Burlington, Vermont 05401	community gardens/newsletter/ organizing
Mira Community Pasture c/o College of Cape Breton/Bras D'or Institute/Sydney Nova Scotia, Canada B1P 6L2	community pasture model
Institute for Community Economics 151 Montague City Rd. Greenfield, Massachusetts 10301 Key contact: Charles Matthei	land trusts/organizing/revolving loan fund/networking
The Ottauqueechee Regional Land Trust 39 Central St. Woodstock, Vermont 05091 Key contact: Rick Carbin	land trusts for conservation and agricultural use/assistance in Vermont
Cherry Hill Cooperative Cannery, Inc. R.R.#1 Barre, Vermont 05641	community cannery model producing for retail markets and home use
Heifer Project International P.O. Box 808 823 W. Third St. Little Rock, Arkansas 72203	small-scale livestock projects/ funding source/technical assistance publications

Organization	Areas of Expertise
South Central Resource Conservation and Development District 9 Maple St. Norwich, New York 13815	small-scale sheep project with HPI assistance
Homeworkers Organized for More Employment (H.O.M.E.) Route 1 Orland, Maine 04472	land trusts for low-income housing/ livestock project with HPI assistance/crafts cooperative
Self Help Association for a Regional Economy (S.H.A.R.E.) Box 125 Great Barrington, Massachusetts 01230	creative financing for local resource ventures
Job Start of Vermont State Economic Opportunity Office 103 S. Main St. Waterbury, Vermont 05676	state sponsored microbusiness financing model

The Small Business Development Approach

Organization	Areas of Expertise
Tennessee Valley Authority 400 W. Summit Hill Dr. Knoxville, Tennessee 37902	conversion of corn to alcohol fuel (and many other projects)
Hilltowns Community Development Corp. P.O. Box 17 Chesterfield, Massachusetts 01012 Key contact: Pat Lewis Sackrey	low-grade hardwood utilization scheme, bed and breakfast/mail order for resource products/local business inventory
Coastal Enterprises, Inc. Middle St., P.O. Box 268 Wiscasset, Maine 04578 Key contact: Ron Phillips	sheep marketing/export trading company/small business expansions
Rural Ventures, Inc. 2001 Killebrew Dr. Bloomington, Minnesota 55420 Key contact: Griff Kennedy	technical assistance for small-scale vegetable production and marketing/ sheep production/other
United Woodcutters Association 406 Williamson St. Greenwood, Mississippi 38930 Key contact: Perry Perkins	organizing pulpwood producers credit union/input supply cooperative
Highlands and Islands Dev. Board Bridge House, 27 Bank St. Invenness, Scotland IV1 1QR	community cooperatives as small businesses in rural areas

Organization	Areas of Expertise
ACCION 10C Mt. Auburn St. Cambridge, Massachusetts 02138	technical assistance needs of micro-entrepreneurs
Small Farm Mgmt. Assistance Program Cooperative Extension Service Dept. of Food & Resource Economics Draper Hall University of Massachusetts Amherst, Massachusetts 01003	technical assistance and training for small, diversified farmers/ training materials/research
The Cornucopia Project Rodale Press 33 E. Minor St. Emmaus, Pennsylvania 18049	Market Search computer-based local market development assistance/The New Farm magazine of regenerative agriculture
Council for Small Industries in Rural Areas (CoSira) 141 Castle St. Salisbury, Wiltshire SP1 3TP England	government council offering multi-facedted support for rural enterprises
Kentucky Highlands Investment Corp. 911 N. Main St. P.O. Box 628 London, Kentucky 40741	support for entrepreneurs and entrepreneurfial businesses
Delta Foundation/Enterprises 819 Main St. P.O. Box 588 Greenville, Mississippi 38701	investment strategist for rural economic development

The Sectoral Intervention Approach

Organization	Areas of Expertise
Mountain Association for Community Economic Development (MACED) 210 Center St. Berea, Kentucky 40403 Key contact: Bill Duncan	intervention in mortgage markets/ forest products/analysis of mining sector
New Hampshire Community Loan Fund and Community Development Finance Authority Act Community and Economic Dev. Program New Hampshire College 2500 N. River Rd. Manchester, New Hampshire 03104 Key contact: Michael Swack	state and private approaches to filling rural capital gaps

Organization	Areas of Expertise
Massachusetts Community Development Finance Corporation 131 State St., Suite 600 Boston, Massachusetts 02109	State approach to filling capital requirements for community development schemes
Massachusetts Community Development Assistance Corporation 27 School St., Suite 500 Boston, Massachusetts 02108	State approach to providing technical assistance for third sector community development corporations

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